

## **FREQUENTLY ASKED QUESTIONS**

**Q. Is it legal for a church to construct their own building?**

- A. No. Unfortunately, for safety reasons, the law does not exempt a church. We get asked this same question daily! The law states, any person, firm or church would be required to hire a licensed contractor, with the appropriate license classification and monetary limit, in order to construct a building in excess of \$25,000, because it is open to the public.

*Building for individual use, and not open to the public, or is not for sale, lease or rent (such as a residence, storage or farm building), then a licensed contractor would not be required. (Please see T.C.A. 62-6-103 and Rule 0680-1-.22).*

**Q. If a licensed prime contractor subcontracts to a licensed electrical contractor, can this electrical subcontractor subcontract to another electrical contractor who is not licensed?**

- A. No. All of the electrical subcontractors are required to be licensed, as well as, any subcontractors performing mechanical, plumbing or HVAC projects. In other words, a sub to a sub to a sub, all have to be licensed!

**Q. May a contractor bid in another name other than as licensed?**

- A. No. Bidding in a name, other than as licensed, is considered unlicensed activity. Even if the contractor owns both companies, they must bid in the name as licensed and then may subcontract to the unlicensed entity.

**Q. Why haven't I received a roster of all contractors?**

- A. The law was changed in 2001 which no longer requires any of the regulatory boards to print rosters. Due to the expense and lengthy time it takes to print, the roster is outdated by the time contractors receive them by mail. In addition, the information can be found on the internet at [www.state.tn.us/commerce](http://www.state.tn.us/commerce) and click on valuable resources "Licensee Roster Search".

**Q. Can you be in the process of getting a contractor's license or wait to see if you get the bid?**

- A. No. You must hold a license *BEFORE* you offer a price, negotiate, contract, bid, etc. In fact, you must list all the licensing information on the outside of the bid envelope or the bid will be rejected.

**Q. What if I have a chance to bid a job but my limit is not enough and the Board does not meet again for another month. Can I get a special review?**

- A. Yes. You will need to complete all requirements and submit your request with a hardship letter, from the owner of the upcoming project, with details of the project, such as, name of project, bid date, estimate of project and why they want you to bid the job, such as to have several competitive bids.

**Q. Do both contractors have to be licensed in order to joint venture?**

- A. Yes. Please see Rule 0680-1.11 on Joint Ventures.

**Q. Can a contractor bid in excess of their monetary limit?**

- A. Yes. There is a 10% bid tolerance.

**Q. Does a prime contractor have to use the subcontractor they listed on the outside of the bid envelope.**

- A. Yes. Failure to do so is a violation of law. Please see T.C.A. 62-6-119 -120.

***Q. How does a new contractor just starting out get a company financial statement.***

***A. See the following FAQ's on Financial Statements***

**Frequently Asked Questions Regarding Financial Statements:**

- ***I am just now starting a business. How do I supply a financial statement when my contracting business is new?***

Decide how you want to operate (as a sole proprietor, LLC, Corporation or partnership) and what name to use in contracting. If you want to operate in your name, such as "John Jones" but your spouse is listed on your personal financial statement, you could open a checking account as "John Jones" and put money into the account to operate your contracting business. Have your CPA perform the "Review" on this account and supply the Board with your personal financial statement. In some cases, the Board may require a "Guaranty Agreement" to be submitted to indemnify (backup) the new account. The same procedure may be followed for a new corporation, LLC or partnership. If you are not a new business, you would need to submit your operating statement prepared by the CPA.

- ***Instead of paying a CPA to prepare my financial statement, can I supply a "Line of Credit" or a "Bond"?***

No, a Line of Credit or Bond cannot be submitted in lieu of a reviewed or audited financial statement since it is required by law.

- ***Can our in-house CPA prepare our reviewed or audited financial statement?***

*No, they must be an independently licensed CPA.*

- ***I have just completed my taxes. Can I submit the tax form I completed for the IRS?***

*No. Must be a review or audit performed on GAAP basis by a licensed CPA.*

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If you have a question, please contact us by fax at **(615) 532-2868** or at "[Contractor's Board](#)" and we will be happy to get you an answer, in writing, as quickly as possible.

**Note: It is best to always get your answer in writing, especially due to technical and confusing areas of the construction industry, and due to staff changes!**